

Message Text

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ACTION EB-07

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C O N F I D E N T I A L ALGIERS 1875

DEPARTMENT PASS EXIMBANK

E.O. 11652: GDS

TAGS: EFIN, ENRG, AG

SUBJECT: SONATRACH - PRITCHARD INTERNATIONAL CONTRACT

1. ON JULY 28, SONATRACH PRESIDENT DIRECTOR GENERAL GHOZALI TOLD AMBASSADOR OF HIS CONCERN WITH PERFORMANCE OF PRITCHARD INTERNATIONAL (U.S.) AND PRITCHARD-RHODES (U.K.) IN ALGERIA. BOTH COMPANIES ARE SUBSIDIARIES OF INTERNATIONAL SYSTEMS AND CONTROLS CORP. (U.S.). GHOZALI NOTED THAT PRITCHARD INTL. HAS SIGNED CONTRACT IN JAN. 1975 TO BUILD GAS TREATMENT PLANT AT HASSI R'MEL TO SUPPLY GAS TO LNG-I. NOW, EIGHTEEN MONTHS LATER, PRITCHARD HAD NOT EVEN INSTALLED ITS ADMINISTRATIVE TEAM IN HASSI R'MEL. AT SKIKDA, GHOZALI NOTED, PRITCHARD RHODES' WORK ON LNG LINE IV WAS NOW TWO YEARS BEHIND SCHEDULE, AND HE DID NOT KNOW WHEN IT WAS GOING TO BE COMPLETED. ALSO, ITS WORK ON SKIKDA V AND VI WAS ALREADY FIVE MONTHS BEHIND SCHEDULE.

2. GHOZALI SAID THAT WHILE THERE WAS NO QUESTION OF THE GOODWILL OF THE PRITCHARD GROUP AND THEIR WILLINGNESS TO FINISH THE CONTRACTS (AS THERE HAD BEEN IN THE CASE OF CHEMICO), HE FEARED THAT THE FINANCIAL MANIPULATIONS OF THE U. S. PARENT COMPANY, INTERNATIONAL
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SYSTEMS AND CONTROL CORPORATION (ISC), WERE THE CAUSE

OF THE PROBLEM. DESPITE FACT THAT SONATRACH HAD ALREADY PAID PRITCHARD \$40-\$50 MILLION ON ITS CONTRACTS, PRITCHARD'S SUBCONTRACTORS WERE COMING TO HIM COMPLAINING OF NOT BEING PAID. AT SAME TIME PRITCHARD HAD ALREADY PAID DIVIDENDS TO ISC BASED ON ALGERIAN CONTRACTS.

3. GHOZALI SAID HE HAD TOLD PRITCHARD REPRESENTATIVE TWO WEEKS AGO THAT HE WAS ASSIGNING ANOTHER ENGINEERING FIRM TO CONSULT WITH PRITCHARD ON SKIKDA LNG LINES. IF SUBSTANTIAL PROGRESS HAD NOT BEEN MADE IN SIX MONTHS, CONSULTANT WOULD REPLACE PRITCHARD AS CONTRACTOR. ON HASSI R'MEL GAS TREATMENT PLANT, GHOZALI SAID HE COULD NOT TAKE THE RISK OF PROJECT TURNING INTO ANOTHER CHEMICO DEBACLE. ADDED THAT HE HAD TOLD PRITCHARD THAT HE WOULD MAKE DECISION EARLY AUGUST AS TO WHETHER THEY WOULD STAY OR LEAVE AND THAT HE EXPECTED COMMUNICATE DECISION TO THEM AUGUST 9 OR 10.

4. GHOZALI ADDED THAT HE CONSIDERING BECHTEL AS NEW CONTRACTOR FOR HASSI R'MEL.

5. COMMENT: GHOZALI'S HESITATION IN REPLACING PRITCHARD INTL. AT HASSI R'MEL MAY WELL STEM FROM FACT THAT BECHTEL HAS SHOWN SOME HESITATION ABOUT ACCEPTING JOB. ON PREVIOUS OCCASION, GHOZALI NOTED THAT WHEN OFFERED JOB, BECHTEL HAD SAID THAT IT WOULD HAVE TO REVIEW SITUATION TO DECIDE IF ITS RESOURCES WERE SUFFICIENT TO HANDLE JOB.

6. HASSI R'MEL GAS TREATMENT PLANT IS AN INTEGRAL PART OF LNG-1 PROJECT, GAS FROM WHICH WILL BE SOLD TO EL PASO FOR SUPPLY TO U. S. EAST COAST. UNTIL GAS TREATMENT PLANT BEGINS TO OPERATE, LNG-1 PLANT WILL BE ABLE TO SUPPLY AT MOST ONLY ONE-THIRD OF EXPECTED ONE BILLION CUBIC FOOT PER DAY OUTPUT. UNDER PRESENT CONSTRUCTION SCHEDULE, LNG-1 WILL REACH ONE-THIRD CAPACITY IN APRIL 1977. SINCE GAS TREATMENT PLANT HAS BARELY BEGUN, PRODUCTION MAY REMAIN AT THAT LEVEL FOR SOME TIME. PARKER

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